



USDA Foreign Agricultural Service
Market Brief
 Local expertise in South China



U.S. Wood Market Brief in South China

Market Overview

The U.S. wood export to China was USD475 million in 2005, with a 24% increase than 2004. Lumber, logs, and veneers are the most exported products to China. U.S. ranks the fifth in China's wood import. Competitors on hardwood are Malaysia, Myanmar, Papua New Guinea, and Gabon. Competitors on softwood are Russia, Germany, and New Zealand. As Quality and price still are the biggest concerns of Chinese buyers, US wood products companies face a competitive situation in a still price-sensitive market.

In South China, lots of wood traders import U.S. wood through HK trading companies and supply to furniture factories in South China. The U.S. wood export to HK was USD77 million in 2005. It was a 27% less than 2004. Most of this HK wood import supplies South China market. The shrink of export to HK indicates the trend that more and more Chinese trading companies import directly from U.S., not through HK trading companies any more.

Since the commercial wood products in China mostly rely on import, China welcomes importing wood. It is charged at zero tariff rate. Only a 17% valued

added tax (VAT) need to be paid by traders.

	Current Popular Products/Species	Promising Products/Species
Hardwood	Western red alder Red oak Yellow poplar Maple Southern yellow pine	Maple White oak Cherry Walnut
Softwood	Cedar Spruce Ponderosa pine	Structural lumber Treated softwood Glued laminated beams

U.S. Hardwood

U.S. hardwood was favored by Chinese to use as wood material in furniture manufactures, interior fittings, and wood flooring. With China's furniture exports valued US\$13.77 billion in 2005, furniture is one of the largest consumers of imported U.S. hardwood in China. Guangdong province is the nation-wide leading area for furniture manufacture, interior decoration materials, doors, windows, wood flooring and mouldings manufacture. Dongguan, Guangzhou, Shenzhen, and Shunde are the main bases for furniture manufacture. Since the U.S. hardwood is comparatively more expensive than wood from other countries or domestics, it usually used in high-end furniture. Most of the fancy furniture made of U.S. wood is exported to the United States, but not locally consumed. In 2005, 47% of the Chinese furniture export was to the U.S.

In the interior decoration sector, because the beautiful color, texture and desirable grain patterns of U.S. hardwood, its application can create a natural, healthy and western style. But usually only veneer is used as a facing material because solid wood is too expensive. With the commercial and real estate boom, approximately 700 million square meters of construction was finished each year. It is forecasted that the flooring demand will

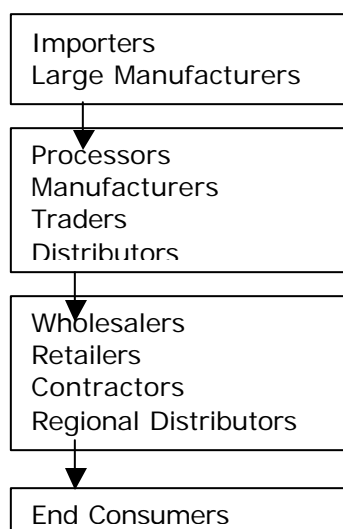
be 2.5 billion square meters, doors and windows 500 million units by 2008.

U.S. Softwood

Market demand and awareness for U.S. softwood is increasing, which is driven by construction industry, such as real estate, infrastructure construction and outdoor landscaping. Treated wood products, for example, Southern Yellow Pine, are promoted to be used in public parks, patios, decks, gardens and out-door facilities. Structural wood products are encouraged to build wooden bridges, landscape construction, golf courses, and large-scale gymnasiums, etc. High-end housing (villas, townhouses) generates demand for structural wood framing and outdoors landscaping timber. South China is a bit slower than East China market in applying U.S. softwood and engineered wood because few marketing and promotion activities, unawareness and misunderstanding on technical application skills. However, in these three years, market awareness and sales are increasing. The U.S. Softwood export to China was USD53 million in 2005.

Distribution Channels

The components in the Chinese distribution channels for raw wood materials and value-added products vary. But it could be simply summarized in the following chart.



Outlets of U.S. wood are timber markets, interior design and building material markets, home centers. Importers and distributors have its stores in or around the markets. Each market supplies wood materials to manufactures, wood processors and contractors in its area. The business in the markets could tell the current wood supply and demand, and the development trend. For examples, Guangdong Yuzhu International Timber Market in Guangzhou is equipped with 600,000 sq.m space, cargo wharf of capacity 3000 tons, two special railways direct to the national railway networks. Dongguan Xinye Timber & Plywood Market is in Dongguan, the largest furniture manufacture base in China, and equipped with 320,000 sq.m space, 300 companies distributing timber, plywood and decorative materials.

ATO Guangzhou & FAS Cooperators

In order to release the market constraints and identify opportunities for U.S. wood products, ATO Guangzhou and FAS cooperators work closely. Through a combined effort, American Forest & Paper Association (AF&PA), the American Hardwood Export Council (AHEC), APA – The Engineered Wood Association, the Softwood Export Council (SEC) and the Southern Forest Products Association, are the FAS/USDA cooperators, and operating offices in Mainland China. China is a diverse place. Economic development, geographic and climatic conditions, consumer preference, distribution and logistics systems are fragmented. Marketing and sales approaches should be made after learning the local market situation. We are actively in the China market to improve the traders' and specifiers' knowledge of U.S. wood, participate in completing building regulations and standards, provide trade assistance and technical consultation, exhibit at trade shows to strengthen the U.S. wood exposure, and maintain good working relationship with local wood industry, government agencies and associations.